DOCUMENT RESUME

ED 143 264 HE 009 167

TITLE An Assessment of HEW Student Financial Assistance Programs. Survey of Presidents of Postsecondary Institutions, Region VIII.
INSTITUTION Department of Health, Education, and Welfare, Washington, D.C.
PUB DATE May 75
NOTE 51p.

EDRS PRICE MF-$0.83 HC-$3.50 Plus Postage.
DESCRIPTORS *Administrator Attitudes; *Federal Programs; Grants; *Post Secondary Education; Presidents; *Program Administration; Scholarships; *Student Financial Aid; Student Loan Programs; Surveys; Work Study Programs

ABSTRACT

The presidents of all postsecondary institutions in the Department of Health, Education, and Welfare's Region VIII (comprised of the states of Colorado, Wyoming, Utah, Montana, North Dakota, and South Dakota) were surveyed to determine important issues in the administration of federally-supported student financial aid programs. The survey instrument was an open-ended letter, a format chosen to allow unlimited response. A 58 percent response rate was achieved. Responses were categorized into those relating to the overall philosophy and operation of the programs, and those relating to specific programs. Caution was exercised to prevent "prioritizing" or evaluating the merit of individual issues, and in the report, direct quotations are used liberally to reflect the respondent's viewpoint. (MSE)

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AN ASSESSMENT OF

HEW STUDENT FINANCIAL ASSISTANCE PROGRAMS

SURVEY OF PRESIDENTS OF POSTSECONDARY INSTITUTIONS REGION VIII

Prepared By

Office of Planning and Evaluation
for the
Office of the Regional Director
U. S. Department of Health,
Education, and Welfare

Region VIII
Denver, Colorado

May 1975

HE009167

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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FOREWORD

This report serves several important functions. As the Secretary's representative in the region, I as Regional Director of Region VIII, DHEW, have an important mission in keeping abreast of the reactions to Departmental programs and their impact upon residents of Region VIII. The complex issues around higher education and the role of DHEW is of vital concern to the Department, not only as we approach our Nation's Bicentennial year, but in the years to come. This report, showing the reactions, suggestions and perceptions of Presidents of postsecondary institutions, presents a thoughtful "grass roots" assessment of the current status of DHEW-supported student financial assistance programs.

Not only is the content and quality of this report meaningful as we consider the broad concerns of education, it also demonstrates the unique contribution to the Department that regional offices can make in obtaining meaningful policy related input from those closest to the actual problems.

It is with considerable pride that I offer this evaluation effort as a Bicentennial project in keeping with the "Horizon" theme, for it represents an effort on the part of myself and my staff to explore and demonstrate additional and unique ways by which we might contribute to the betterment of the citizens of Region VIII and ultimately the nation.

Rulon R. Garfield
Regional Director
Region VIII, DHEW

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Introduction and Methodology

The U. S. Department of Health, Education, and Welfare, through the Office of Education, supports five programs of student assistance: The National Direct Student Loan Program (NDSL), the Supplementary Educational Opportunity Grant Program (SEOG), the College Work-Study Program (CWSP), the Basic Educational Opportunity Grant Program (BEOG), and the Guaranteed Student Loan Program (GSLP). The National Direct Student Loan Program, Supplemental Educational Opportunity Grant Program and the College Work-Study Program are administered through financial aid offices of eligible institutions. The Basic Educational Opportunity Grant Program and the Guaranteed Student Loan Program are based outside the control of the institution. Basic Grants are awarded directly to the student who has the option to attend the school of his or her choice. The Guaranteed Loan Program channels money directly to the student through private lending institutions.

It was the intention of this study to provide the Regional Director for DHEW in Region VIII, the Department's Lead Regional Director for Education, a forum for raising issue questions for the Department, as well as an attempt to obtain some gross summarization of the major concerns of college, university and other postsecondary institution Presidents in Region VIII as they relate to the above-mentioned HEW supported student assistance programs.

Information was solicited through a 100% survey of all Presidents of postsecondary educational institutions participating in student aid programs in Region VIII.*/

The survey document, designed as an open-ended letter (see Appendix A), was mailed to all postsecondary institution Presidents requesting their perceptions and/or suggestions as to the workings of DHEW sponsored student assistance programs. An unstructured format was chosen so as not to limit the breadth and/or scope of responses. It was felt that a more structured format would build in a degree of pre-conceived bias in identifying significant problem areas merely as a natural result of deciding which questions to ask or not to ask. The unstructured approach allowed each respondent to independently decide which programs were of most concern and identify those areas within programs that, in their individual opinion, were most in need of attention. Anonymity was promised so as not to inhibit the gist or tenor of responses.

In all, 143 letters were mailed to the Presidents in public, private, religious, profit and non-profit universities, colleges, junior colleges, and vocational educational institutions throughout the Region. Responses were received from 83 schools, a response rate of 58%.

Each response was analyzed to identify remarks that fell into one of two categories; first a "general remarks" section which includes comments relating to the overall philosophy and operation of the DHEW student assistance programs as a whole, and secondly, more specific

*/ DHEW Region VIII is comprised of the States of Colorado, Wyoming, Utah, Montana, North and South Dakota.

remarks directly relating to one of the five programs. Where a single issue was identified more than once it was so noted. All specifically identifiable issues were included. Caution was exercised to avoid prioritizing or evaluating the merit of individual issues. In a number of cases issues were raised with little or no explanation or solution offered. In those instances the issues were included essentially as presented with no attempt to amplify, or editorialize on their remarks. Direct quotations were liberally used in an attempt to most accurately reflect the views of the respondents.

General Comments

The following narrative outlines those remarks that apply to more than one program. A number of the issues raised in this section also may apply to specific programs, in which case the issue(s) was again raised in the appropriate program specific section.

No consensus emerged that would favor emphasis of one program or type of program (i.e. grant vs. loan) and eliminate or deemphasize others. Opinion on the relative merits of the various programs or combinations of programs varied widely. For example, three schools suggested deemphasis of loan programs and increased emphasis on grant programs while two schools felt just the opposite. Eight schools thought more emphasis should be placed on the college-based programs--(NDSL, CWSP, and SEOG)--which include both a grant program and a loan program. Nine schools felt all programs were necessary--each meeting a particular need and in total offering a well rounded choice of options to provide some form of financial aid to all students in need.

Twenty-five schools cited the need for increased funding in all programs, with only one school commenting that funding levels were adequate. Some of this problem is attributed to constant funding levels while more schools become eligible, reducing the proportionate amount available for each student. Six other schools also mentioned lack of funds as a problem but related it more to procedural problems rather than insufficient congressional appropriations.

Typical of their remarks:

> "Our specific complaint . . . is the inequity involved in the allocation of monies through the application process. It appears that many schools indicate a need budget so large that when each school receives its pro rata share it is necessary that each school then generates as large a need basis as possible in order to maintain its necessary percentage of the state allocated funds. As a result, any school which is conservative in their estimate of financial needs for their programs will receive considerable less money than they will actually need to meet the needs of the eligible students."
> "Utilization of professional budget writers to justify huge requests for funding under these programs by many larger colleges and universities is creating a hardship upon needy students desiring to enter a college with minimal funding resulting from lack of expertise in this field."

Of all the comments pertaining to more than one program, the need for simplification of programs and their administration was the most often cited. A total of thirty-three schools raised this as a major issue. The suggested modes of simplification took many forms, the most popular being simplification of applications, needs analysis, and fiscal reporting procedures. The multiplicity of programs available (both Federal and State), the requirement for separate applications and needs analysis, and the necessary "myriad of paper work" involved, all serve to confuse, duplicate, and generally add to the administrative burden and cost of these programs.

Three representative comments:

> " . . . the item which seems to be of paramount importance is that of simplification in terms of application procedures--for the student and his family, and for the institutions. The required paperwork flow is confusing and often overwhelming. From the point of view of the family seeking assistance, a minimum of two complete financial disclosure statements must be completed and sent to different agencies for analysis. The required number can be as high as five or six. When all of these stem from Federal requirements (and we realize that some of these are outside of the HEW

purview) the family interprets this as unnecessary duplication. Whether the program is administered by HEW, Justice, or Interior makes little difference to the family--from their point of view it is simply an example of "Federal" bureaucratic confusion and duplicity. We should make strong efforts to coordinate all programs of Federal student assistance. It is our conviction that this problem adversely affects the large populations for whom they are intended."

"There are increasing indications that the needs analysis process, a basic element in student aid, is a major contributor to problems facing student assistance today. Inconsistent and often contradictory evaluations of family financial situations are generated by the three major need analysis systems (CSS, ACT, and BEOG). This problem, coupled with a multiplicity of data gathering forms, has added greatly to the confusion and discouragement experienced by students and their families as they attempt to cope with the aid awarding process. This is not to suggest that a single federal needs analysis system is desired or needed, but it does underline the need for standardization of forms, procedures, and perhaps even contribution expectations. The National (Keppel) Task Force on Student Aid Problems is presently studying the feasibility and design of a universal need analysis form. The success of this endeavor is important and the finding and recommendations of this group deserve our careful consideration."

"Considerable time and cost could be saved if the forms involved in the institutional applications, fiscal operations reports, etc., could be standardized from year to year. This would permit the collection of data throughout the fiscal year in lieu of an 'overload' situation toward the beginning or end of the period of time involved."

Providing the financial aid officer with the ability to transfer funds between all the college-based programs[1/] and the need for updated guidelines and regulations manuals were also frequently suggested as desirable features, and, if implemented, would, in their opinion, greatly ease the processing and administrative tasks.

1/ Recent changes now permit the institution to transfer funds between the SEOG and CWS (supplemental grant work study) programs. We interpret that the respondents would like to see this expanded to cover the NDSL (National Direct Student Loan) program as well.

Six schools recommended that the financial aid officer be given some degree of latitude in transfering funds between programs. As stated by one junior college President:

> ". . . I feel that the money appropriated to a school for each of the funded programs should not be funded individually for each program but that the total amount funded to a school could be used by the school to be utilized at the discretion of the financial aid office, apportioned to the various programs as he deemed reasonable and proper. There could be some general guidelines so that not all money would be used for a grant program. Or, if a greater percentage of monies could be transferred to one program to another it would also be of considerable help."

Nine schools mentioned the immediate need for publication and distribution of up-to-date administrative manuals. In their opinion, "the absence of comprehensive program guidelines has imposed a major administrative handicap upon the institutional aid officer, and may have contributed to the formulation of institutional policies and procedures that are inconsistent with legislative intent: Since the manuals are not updated consistently, it is most difficult to operate effectively with conflicting and often obsolete guidelines."

Finally, seven schools felt that the financial aid programs as they presently exist often do not serve the student from the middle income family. Inflationary pressures have seriously affected the ability of the middle income family to provide for ever increasing education expenses. This is ironic in that it is this very group who carry much of the tax burden that goes to support these programs. It is imperative that eligibility requirements be broadened to include students in this classification.

National Direct Student Loan Program

(NDSL)

Thirty four schools (23.8%) commented on the National Direct Student Loan program. Three schools singled out this program as the best of the available Federal aid programs. Most other comments, though not as strong, were generally favorable, suggesting changes in regulations and procedures but at the same time stressing the need for continuation of the NDSL program.

Mentioned most often as the more appealing features of the program were:

(1) the availability of monies to all students in need

(2) the responsibility and commitment required of participating students

(3) the self-perpetuating nature of the funding process.

Some typical comments:

"Our largest and most beneficial to the greatest number of students because it is equally available to all students in need."

"instills in the student a sense of responsibility for his or her education."

With specific regard to the self-perpetuating features:

"highly successful and should be funded until it becomes self perpetuating."

"If current trends continue the volume of additional receipts could be used to revolve and make more funds available to new borrowers so that within two years, no new federal capital contributions would be required and the demand could be met with current receipts."

NDSL as the institutionally based loan fund was often compared with its non-institutionally based counterpart, the Guaranteed Student Loan Program (GSLP). Seven schools made such a comparison with all seven favoring NDSL over the GSLP. It was commonly felt that low interest rates, long term payback and relative ease of processing made NDSL the more attractive of the two loan programs.

Fifteen schools commented in one form or another on the administrative aspects of this program. Interestingly, the comments varied from the positive

"We view NDSL with high regard because of its philosophy and administrative aspects."

to the somewhat ambivalent:

"This fund has more paperwork to shuffle but it is also fairly easy to administer."

to the negative:

". . . of all the programs NDSL is the most difficult to administer and the most costly."

Reading these comments within the context of the total response it seems evident that much of the above disparity can be accounted for by the respondent's perception of administration. Generally

speaking, those schools who included the collection process within the realm of administration also saw the program as difficult to administer. Most schools were inclined to view collection as part of administration, and for purposes of this paper we will also include the collection process, including cancellation and repayment provisions, as part of the administrative process. Utilizing this definition the following remarks on the cancellation and repayment provisions can be appropriately viewed as an integral part of program administration.

The cancellation and repayment provisions were the most frequently mentioned item of concern with seventeen schools submitting comments in this area. Thirteen schools recommended the elimination of all cancellation provisions. Three schools specifically mentioned only cancellation of the "teaching clause". One school recommended retaining only the "death and disability" clauses.

Several reasons were cited in justifying the discontinuance of the cancellation provisions:

(1) ". . . interest rates and repayment amounts are reasonable enough that there should be no further inducement necessary."

(2) ". . . the loan forgiveness features . . . have been ineffective . . . ." "There is no evidence that the cancellation provisions have affected vocational choice or location to any significant extent."

(3) "Such action would appreciably increase borrowable funds . . . ." These allowances cut significantly into available funds for relending."

(4) eliminating the cancellation provisions ". . . would greatly simplify the administration of this program."

The following changes in operational procedures were also suggested:

1) The provision permitting a student to file bankruptcy on an NDS loan should be discontinued. The bankruptcy provisions are being used by students to eliminate their NDS indebtedness while not affecting their credit elsewhere. "The schools fund subsequently is not reimbursed for this loss which results in a decrease in the level of lending for this program."

2) The administrative allowance should be increased to compensate the institution for the increased workload. This might prevent the costs from being passed to the student in the form of higher tuition. (Two schools raised this issue.) One school suggested an increase to 5%, the other made no specifi recommendation.

3) Funding levels should be increased. In the past two years the number of eligible schools has increased from 2800 to 3900 yet appropriations have remained constant. This results in spreading a fixed number of dollars over an increasingly larger base leaving fewer dollars available per student.

4) NDSL should be exempted from the provisions of "Truth-in-lending" legislation. "Compliance with this Federal requirement adds much unnecessary paper work and expense to the administration of this program. The borrower is sufficiently protected by the fact that the interest rate for this program is established by the Congress and cannot vary. (Two schools raised this issue.)

5) Default provisions whereby delinquent loans of more than two years would be assumed by the Office of Education should be activated.

> "In 1973, legislation was passed to provide a system by which NDSL loans that were in default for more than two years would be assumed by the Office of Education. This would assist the financial aid office in the enormous task of collections of these accounts. It would help reduce the collection costs, administrative costs and so on. To date, however, this system has not become operational." (Two schools raised this issue.)

6) Institutions should be provided the authority to trace unkown addresses of borrowers through Social Security numbers. "Difficulty is encountered in maintaining current borrower address lists so that billing and collections can be made. Ability to trace these addresses through the use of social security numbers would be beneficial.

7) Cancellation provisions should be expanded. Two schools suggested additional cancellation features be added:

> "In our estimation, the cancellation provision for the military in hostile areas should be increased to 100%. Our feeling is that our service-men fighting for their country deserve just as much cancellation privileges as those individuals teaching a Head Start program, or handicapped students."
>
> "NDSL as a result of administrative changes, does not presently include a cancellation clause in the event of accidental death. It seems apparent that a write-off provision for loan balances should be provided for that circumstance."

Supplemental Educational Opportunity Grant Program (SEOG)

Twenty-five schools (17.5%) submitted comments pertaining to the Supplemental Educational Opportunity Grant Program (SEOG). Almost all schools looked favorably upon this program commenting that it is a relatively easy program to administer and is serving its intended purpose, i.e., as a support to other aid forms, particularly for the student in extreme need of supplemental financing.

Continuation of the program and level of funding emerged as the most common concerns. Ten schools mentioned at least one of these two concerns as a major problem.

Five of these schools were especially dismayed at recent proposals to discontinue this form of aid once the Basic Educational Opportunity Grant program became fully operational. Quoting one college president whose remarks adequately reflect those who expressed similar concern:

> "For three years, the Administration's budget has not requested funding for SEOG despite a legislative requirement to fund the program at least at $130 million before funding the BEOG Program. The Secretary of Health, Education, and Welfare has on several occasions stated the Administration's desire to terminate the SEOG Program. We do not believe it was the intent of the Congress to abandon the SEOG Program when it established the BEOG Program. The use of the word "supplemental" suggests that these awards are "in addition to" BEOG's. The imposition of a threshold level of funding before BEOG's can be funded is clear evidence of Congressional intent. The Conference Report states that SEOG awards are for two types of students: those who do not qualify for BEOG's, and those whose BEOG's are insufficient because of institutional cost to permit enrollment."

> "We believe SEOG's are effective and that they are just as needed now as before the advent of the BEOG Program. They are needed to assist students who cannot qualify for BEOG's because of the restrictive nature of the eligibility criteria, yet are exceptionally needy; they are needed to provide choice of enrollment in high cost institutions; they are needed to assist veterans and other independent students with greater expenses, even at relatively low-cost institutions; they are needed to help students with special needs that cannot be met with the usual load of work and loan, such as welfare mothers, academically disadvantaged individuals who cannot be motivated to aspire to furthering their education by the promise of circumstances, like the death of a parent, which would take weeks or months to become reflected in a BEOG. For these reasons and others too numerous to convey, we urge the continuation of the Supplemental Educational Opportunity Grant Program."

The remaining five schools directed their remarks toward the inadequacy of present funding levels. Basically, these schools felt that present funding levels were inadequate to meet demand, resulting in schools not being able to award all deserving students. One President felt that limited funds permitted his school to serve only one half of those in need of this type of aid.

Nine schools submitted recommendations for operational changes.

Five of these schools particularly cited a need to erase the distinction between initial and continuing (renewal) year grants. In the words of one President of a major state university:

> "We would suggest that a modest, yet important, operational change is needed to improve the functioning of the SEOG program. Specifically, the distinction between initial and continuing (renewal) year grants should be discontinued. To our knowledge the purpose of this differentiation has never been explained, although we expect it was designed to discourage overutilization of these grants for freshman and transfer students at the expense of returning students in order to generate enrollment increases. It is debatable

whether such a practice would, in fact, increase enrollment inasmuch as the returning students being deprived of grant aid could very well decide not to return, thereby offsetting any potential enrollment gain. In any case, other and more easily administered remedies are available. The present system dictates the unwieldy maintenance of separate funds and precise (but error prone) records on the initial/continuing grant status of each student. Also, the institutional application for funds, already a study in complexity, is unnecessarily muddled by the generally futile efforts to accurately predict the dollars needed for each category. If there is no possible way to abolish the initial/continuing grant concept, then the institution should at least be afforded the option of transferring a percentage between the two funds."

Four other schools suggested the following additional operational changes:

1) Two-year colleges should be allowed to submit requests for SEOG renewal funds at the beginning of the academic year. "The attrition rate in the student body of most two-year colleges causes a problem in requesting SEOG renewal year awards. In recognition of this high rate of attrition each year, it seems reasonable for two-year colleges to submit their requests for SEOG renewal funds at the beginning of the academic year. Such a procedure would enable the colleges to provide an accurate count of their returning students who received SEOG funds for the previous year."

(This is related to the above-mentioned concern over distinction between continuing and renewal awards but is included separately as it does not specifically advocate merging the two)

2) The policy requiring matching NDSL or CWS funds should be reexamined. One president particularly questioned the policy permitting SEOG funds to be matched by NDSL or CWS funds with one exception; Bureau of Indian Affairs monies. In his opinion, this policy was inequitable when looking at it from the perspective of students not eligible for BIA funds.[2/]

3) "Financial Need" eligibility criteria should be redefined. Two schools commented on this matter approaching the topic from slightly different angles. Their individual statements follow:

   a) "The current law prescribes what is to be considered in determining need, but it does not define 'exceptional financial need.' The currently proposed definition suggested by the Office of Education places undue limitations on the flexibility of the financial aid administrator to use the grant in response to the unique needs of the student. The appropriate definition of this term could be worked out through the Office of Education. However, to make clear the intent of Congress to provide for the financial aid administrator to be able to use his professional judgment, this definition is suggested for inclusion in the law. We believe the definition makes clear the expectation that a student should not routinely be given grant assistance without any consideration of other alternatives; yet gives the financial aid administrator discretion to tailor an assistance package which is most appropriate, in his judgment, for that student."

2/ Policy has recently been changed to permit the use of BIA money to match SEOG money.

"Recommendation: Define exceptional financial need as: A student is of exceptional financial need if the amount of need remaining after consideration of any parental, spouse, or student contribution and other gift aid available, exceeds the amount that student could, in the judgment of the institutional aid officer, be reasonably expected to borrow or earn."

b) "One aspect of SEOG with which we do not agree is that in order to qualify for SEOG the total family contribution cannot exceed one-half the cost of attending the institution. In my opinion, this discriminates against so-called 'low cost' institutions such as our own. For example, if our costs are approximately $1,700, one half of that cost would be $850. Therefore, any student whose family contribution exceeded $850 could not qualify for the SEOG grant at our college. With the national average saving figure for students being between $400 and $500, this means that even a small parental contribution of between $350 to $450 would eliminate the student from the SEOG program. However, this same student could qualify for the SEOG at an institution whose costs were higher than the low-cost institutions and could possibly receive an SEOG grant matched with a basic grant. Naturally the student would prefer to attend the institution where he could receive more grant money instead of receiving a student loan. In my opinion, a more equitable plan would be to leave the decision as to whether the student's financial situation would merit a grant or not up to the financial aids officer.

Only two essentially negative responses were received. One school felt the administrative requirements of this program were too heavy for a small school that cannot afford a separate financial aid officer. (As mentioned earlier, several schools felt this an easy program to administer.)

Another school thought this program allowed (scheming)[3/] students the opportunity to enroll just to get the grant, subsequently, drop-out of school and make a profit.

3/ parenthetical remarks added

College Work-Study Program

(CWSP)

Fifty four schools (37.8%) commented on the College Work-Study Program (CWSP). The great majority of remarks were highly favorable. Many schools thought Work-Study the most valuable and justifiable of all the federal aid programs.

Three characteristics were repeatedly cited as particularly valuable aspects of this program:

(1) CWS provides the student an opportunity to help pay for his/her education, making their education a matter of personal commitment, without incurring future debt.

(2) Students are able to learn valuable job skills, including habits of work, attitudes toward work, and often skills of doing a particular job in which they later find themselves professionally.

(3) Work-study is mutually beneficial to the student and the employer. The program helps institutions perform tasks not otherwise possible. Off-campus employment benefits the community in which they work.

Only five schools submitted generally negative comments with three basic program deficiencies emerging from their remarks:

(1) Administration of the program is cumbersome. An extensive amount of organization, paper work and time are required of the institution in administering this program. This is particularly burdensome on the small school that cannot afford to hire a separate financial aid officer to handle the workload.

(2) Even when students are most willing to work it is often difficult to coordinate work schedules with class schedules.

(3) Some students are just not able to adequately handle both a job and a full academic workload.

While the remaining 49 schools were more positive in their overall attitude, they, nevertheless, did identify what they felt to be significant problem areas.

Inadequate funding was the most often cited weakness. Twenty-two schools mentioned the need for additional monies for the CWS program. Four of these schools cited a particular desire for increased funds for summer programs. Lack of adequate funds was primarily attributed to inflation and the fact that an increasing number of institutions are becoming eligible for CWS money while national funding levels remain fairly constant. This results in a limited number of dollars being spread over an increasingly larger base.

A variety of procedural/administrative changes were recommended with no one particular change being mentioned by more than two schools

and most being mentioned only once. These recommendations are included below with no attempt to prioritize or comment upon their merit.

1) The administrative allowance should be increased.

Two schools recommended an increase in the administrative allowance. To quote one school president,

> ". . . a vast amount of effort and institutional funds are expended . . . writing job descriptions, interviewing students, interview referrals, college work study agreements, billing the agencies, preparing payrolls, preparing IRS reports, keeping individual ledger sheets, maintaining the fund ledger, etc. I believe that many schools may not avail themselves of this form of aid due to the excessive amount of administrative and clerical work required."

In fact, one school president did comment that for this very reason, his school had decided against participation in the work-study program.

Of the two schools commenting, one recommended the allowance be increased from the present 3% to 5%, the other recommending an increase to 6%.

2) The per hour limit on wages should be revised upward.

Two schools commented on the $3.50 per hour limit on wages. Both schools felt this too low, often proving to disrupt a mutually beneficial relationship when a student's employment must be terminated when his earnings reach the authorized maximum.

3) Regulations should be provided to permit carryover of funds.

Two schools asked for regulations permitting carry-over of funds.

a) ". . . this would assist financial aid officers greatly as they yearly face the prospect of losing funds if not obligated by June 30, making administration of this program extremely difficult at this time of year."

b) "We would recommend that institutions be authorized to carryover up to ten percent of its Work-Study allocation to the succeeding fiscal year, or utilize up to ten percent of the allocation for the succeeding fiscal year to meet current year obligations. Variables such as wage rates, drop outs, employment termination, etc., make it extremely difficult to precisely estimate (or regulate) year end balances in the fund."

4) Regulations regarding the collection and withholding of FICA taxes should be clarified.

Quoting the President of a small proprietary school:

> "I personally know of a proprietary school which neither collected from the employers nor withheld from the students' earnings the social security taxes for a period of at least one year. Consequently, the school had to pay from its own funds $18,000 to the Internal Revenue Service. Had the regulations been more specifically written, this debt might not have been incurred. Small proprietary schools often do not have the resources to engage legal counsel, certified public accountants, etc. It is not always an easy matter to understand and interpret the internal revenue code, if indeed, the school has the code . . . . It should be clearly stated that (for off-campus employment) 4/ an institution acts only as an

4/ Parenthetical remarks added.

agent of an employer when it collects, withholds and remits FICA and other applicable taxes if any. The institution should not be considered to be the employee since none of the benefits of such employment accrues to the institution."

5) "Allocation of funds for the CWS program should be determined by ratio formula of fund allocation under the BEOG program for the previous academic year. Flexibility to award CWS exclusively to BEOG recipients on proportionate amounts or to other needy students could be left to the discretion of the financial aid administrator."

6) "Funding for work-study should be based upon enrollment figures."

7) . . . guidelines should be changed to better meet the needs of welfare students.

" . . . Generally, students on welfare funds cannot be assigned to work-study because their welfare benefits will be reduced or terminated."

8) Needs analysis and application forms should be simplified. "A suggestion for possibly getting more deserving students to apply would be to simplify the forms needed to determine financial analysis of the student or his family."

9) Eligibility requirements should be raised to include middle income families.

" . . . with so many agencies concerned about disadvantaged students it is time to raise the eligibility level requirements so that middle income families can be helped through CWSP through this economic recession."

10) " . . . Eligibility for self-aid (work study)should be defined as the supplement which must be added to the total of his grant and other resources (including non-work study school-term employment) to equal his total estimated reasonable cost (basic school cost plus personal expenses)."

11) "There is a need for regulations and manuals for the CWSP . . . program."

12) Work-study should be expanded to include work in profit making organizations.

Two proprietary schools raised this issue. One specifically felt this was a form of discrimination against private businesses (as taxpayers who also contribute to aid programs) who could more than likely create a number of jobs for students under work-study.

Basic Educational Opportunity Grant Program (BEOG)

Sixty-seven schools (46.9%) commented on the Basic Educational Opportunity Grant Program (BEOG). Of those schools expressing a definite opinion regarding the overall value of the program, thirteen were favorable in their responses, while nine were essentially negative in their view of the program. The schools responding favorably most often cited the following as the more positive features of the BEOG program:

(1) ease of administration

(2) ability of the student to choose the school he wishes and

(3) the opening up of opportunity for many to attend postsecondary institutions that would otherwise not be able to.

Of those schools looking negatively on the program, only two deficiencies were mentioned more than once:

(1) The BEOG program assists primarily disadvantaged students, who in the opinion of four school presidents, were, more often than average, also poor academically, resulting in an overall dilution of the quality of education.

(2) Grant or "give away" programs were inferior to work-aid programs. Two college presidents expressed this philosophy, one excusing it as personal opinion, the other feeling this may merely reflect cultural values peculiar to the region in which his school was located (Utah).

A number of schools identified four general areas of particular concern -

(1) program publicity,

(2) program flexibility,

(3) funding

(4) timing and processing of applications.

1) Program publicity. Forty school president's addressed this issue.[6/] Thirteen schools felt the program is adequately publicized. More than half of these felt the publicity efforts in the second year of operation were a great improvement over initial year efforts. Nine schools thought publicity was not adequate. Lack of BEOG program knowledge on the part of high school counselors was mentioned by eight schools as the most severe deficiency in effectively publicizing the program. Commenting on efforts that have been made, six schools felt the "training workshops" conducted for financial aid officers and high school counselors were especially valuable. Three schools specifically mentioned the "workshop" mode of publicity as a more efficient and effective use of monies than media publicity, i.e. radio, TV, newspapers, etc.

6/ The survey document made reference to publicity of the BEOG program. (see appendix A). This is most likely partially responsible for the relatively large volume of comments in this particular area.

2) Program flexibility. Three schools felt the lack of institutional control over this grant-aid did not allow the flexibility necessary to respond promptly and adequately to the individual students financial needs. Each of the three schools felt that an institutionally based program provided needed flexibility to furnish the student an "aid package" consistent with his or her financial needs. It was not clear whether these schools favored conversion of BEOG to an institutionally based program or whether they favored increased emphasis on present institutionally based programs and decreased emphasis on BEOG.

3) Funding. Seven schools specifically mentioned inadequate funding as a major program weakness. Most commented that Congressional appropriations were insufficient to meet the intent of the Act creating the program. Average grant awards permissible under these funding levels fall far below the $1,400 allowable. One school quoted an average BEOG award of $600, another $750, and a third $1,050. Without exception these schools felt it imperative that funding be increased to allow at least the $1,400 maximum award.[7/]

7/ One school--a small junior college--commented that BEOG funding was adequate.

4) Timing and processing. Twenty-four schools criticized the late availability of applications, lengthy processing time, and lateness in notification of final award notices. In their opinion, delays in these areas seriously undermine the effectiveness of the BEOG as it was intended to function, i.e., as a floor to other grant packages. Quoting one president of a large state university:

> "Since the BEOG is the base for all other programs it is imperative it be handled as early as possible. When BEOG is received after other aid is awarded, the financial aid office must reduce the amounts awarded in the other programs, creating a great deal of repackaging."

Most schools felt applications should be made available by Novenber 1st, but definitely no later than January 1 of the year preceeding the award.

Excessive processing time of BEOG applications was singled out by five schools. The present processing time of 4 to 12 weeks was considered unacceptable. A two week turn-around was considered reasonable. Generally, it was felt that the entire process beginning with disbursement of applications and ending in award notification be completed by early spring.

The following operational changes were also suggested:

1) An allowance should be provided to defray the administrative costs of implementing this program. Nineteen schools raised this issue. Representative of the schools responding, one college president said:

> "The Basic Grant does require just as much time and effort as the other programs with the exception that the funds need not be applied for. A great deal of revision to student aid awards throughout the year is necessary. . .Whenever a student qualifies for a Basic Grant we must replace SEOG grants, student loan money, or Work-Study with a Basic Grant due to the entitlement clause...We see a vital need for an administrative allowance in order to be able to disseminate the necessary information to students, to be able to contact counseling personnel, to recruit low-income students, and to effectively administer the program with necessary staff."

One school specifically recommended a 3% allowance, another suggested 6% as adequate. Other schools, did not recommend a specific amount.

2) Use current income for students who are classified independent. The current method of using the previous year's income is clearly unfair to the person who has shifted from being a full time worker to being a full-time student. That income is no longer relevant and certainly not available to the student. This is discouraging to students trying to upgrade themselves. "They are (often) forced to maintain full-time or three quarter time jobs to support themselves while carrying their program of study. It is the rare student who can hold up." (Two schools raised this same issue)

3) The eligibility index should be included in the periodic reports of applications processed. This would be most helpful to both the student and the institution. It would allow, with some degree of accuracy, a projection of the total financial aid package necessary for the student.

4) The institution should be allowed to act as the agency for students once they have enrolled. This would do much to expedite the application process.

5) "Treatment of non-liquid assets, particularly when they are utilized as the prime source of family income, should be reevaluated. Piecemeal liquidation of these assets is economically infeasible and additional mortgages to raise educational revenue impossible once a certain level of indebtedness is incurred against these assets. The wide range of problems that may be encountered in the proper classification of these assets is recognized. However, a banker's rule-of-thumb or federal government guidelines defining maximum percentage levels of mortgage or indebtedness could easily be established. When this maximum is reached, these assets should be no longer considered as resources available for education."

6) Net worth limitations should be reevaluated.

This is a particularly critical concern for students from farm families. "At the present time, a $40,000 net value of a total farming operation is treated the same as if a wage earner had $40,000 put away in a savings account." The schools raising this issue felt that treating farm assets in this manner

severely overstates the family's ability to provide educational expenses resulting in many students from farm families being considered ineligible for aid when in fact they are in need. "Changes need to be made to equalize the eligibility standards for farm people as opposed to urban dwellers." (Three schools raised this same issue.)

7) "The most recent low income levels as defined by the Bureau of Labor Statistics, or even better, the moderate income level, be used in calculating, for BEOG purposes, the family expectation from current income for educational expenses. The primary problem with the assessment of family ability to pay educational expenses from current income rests with the family size offsets allowed against income for purposes of providing for subsistence of the family. The use of the low income thresholds of the Social Security Administration does not recognize the real cost of maintaining a family in today's economy, and in practice requires a family to live at or below the poverty level to avoid "taxation" for post-secondary educational purposes. At the very least, we recommend the use of the most recent low income levels defined by the Bureau of Labor Statistics, which are more reflective of the true costs of maintaining a family in the present economy. The BLS moderate income level would be even more appropriate."

8) The "Needs Analysis" procedures should be simplified. Eight schools felt the addition of a separate needs analysis formula for BEOG was inequitable, confusing, duplicative and seemingly unnecessary. Most felt that the three "needs analysis" formula now in use, i.e., BEOG, ACT, and CCS, should be combined into one common formula for all programs using the need concept of determining eligibility for aid.

9) The requirement for a separate application for BEOG should be eliminated. Requiring separate applications and separate report documents makes it difficult to coordinate BEOG with the institutionally based programs. The dual application process tends to confuse the student. (Six schools raised this same issue.)

10) "The minimum BEOG be raised from $50 to $100. Grants in such small amounts as $50 accomplish very little. Assistance to the student is probably greater than the award itself. We suggest that the minimum award be at least $100 and see no need to vary from the minimum $200 award at full funding."

11) The allowance for room and board should be reviewed.

" . . . attention should be directed to the BEOG budget regulation that allows $1100 board and room for the off-campus student but restricts this allowance to the actual contracted dollar amount in the case of students living on-campus. This regulation provides a larger Basic Grant for the student living with his or her parents than it does for the student living away from home in college housing facilities. At a time when student financial aid programs should be encouraging institutions

to reduce educational costs, this provision does exactly the opposite. Colleges are encouraged to increase their charges for board and room in order to equal the $1100 off-campus allowance."

12) The attendance requirement for proprietary school students should be reviewed. "The requirement of 24 clock hours attendance per week in a proprietary school is excessive. Such a student is carrying at least five courses, each one requiring an appropriate number of hours of outside preparation. Coupled with college work study, it soon becomes apparent that the burden is too great and the student becomes an underachiever. He is not as well prepared in his vocation as he has a right to be. As a result, thorough job preparation as the main objective of educational training, is not accomplished. Students in a proprietary school should not be required to carry a heavier load than students in an academic college."

13) <u>The academic load required of the BEOG student should be consistent with other HEW aid requirements</u>. "Why is it necessary that a student be required to carry 12 quarter hours per academic term while in all other HEW-funded programs he is only required to carry 'at least one half the normal full-time load . . . ?' At this institution that is 8 quarter hours per academic term. It is not a simple matter to explain to a student that the BEOG recipient, usually a fairly needy student and frequently a disadvantaged one, must carry a heavier academic load than the student who is not eligible for a BEOG . . . ."

14) "Payment schedules should be developed that will round off student awards to the nearest $50. This would greatly simplify the process of 'packaging' the BEOG with other aid."

15) "The statement 'attended previous postsecondary education' needs to be more clearly defined. Questions have arisen concerning the word attended. Does this mean simply matriculated but never have attended or just how is attendance measured?"

16) Operating manuals should be provided. Without such manuals it is impossible to expect adequate administration for the various programs.

Guaranteed Student Loan Program (GSLP)

Forty-three schools (30%) commented on the Guaranteed Student Loan program (GSLP). Opinion on the value of this program was divided. Thirteen schools looked upon GSL as a worthwhile adjunct to other aid programs, especially valuable in serving students who because of class schedules are unable to participate in work-study or do not meet the eligibility criteria for other aid. However, nine schools voiced strong disappointment with this program, with several stating this was the least effective of all federal aid programs. (The remaining 21 schools responding did not express statements that could be interpreted as indicating particular satisfaction or dissatisfaction with the program.)

By far the most severe criticism centered around the reluctance of private lending institutions to participate given the present state of the economy. In their best opinion, banks are unwilling to tie up money at low interest rates when other markets offer a substantially higher return than the maximum allowed under the GSL program. Twenty-two schools, or slightly more than one-half of those commenting on this program, cited this as a major weakness seriously diluting this program's effectiveness. The most often proffered solution was to make the program more attractive to private lenders by permitting competitive interest rates that would vary with the loan market.

A second major criticism raised by five schools referred to the seemingly inordinate time required in processing loan applications.

Two institutions cited instances of lapses of 3 to 4 months between the time of loan application and final notification of approval. This, of course, fosters situations where the school occasionally will enroll students who eventually may not be able to pay if their loan is not approved. This is unfair to both the student and the institution. Without exception, these schools felt there was a definite need to provide mechanisms or stimuli that would accelerate loan processing time. (More specific recommendations were not provided.)

The following operational changes were also suggested:

1) Institutions should be provided an administrative allowance for functions performed in administering the GSL program. Six schools felt such an allowance was justified. This allowance would cover such services as counseling of borrowers, completion of portions of the application, in some cases actual disbursement of the loan, and notification to the lender when the student ceases to be a student through graduation or cessation of studies for other reasons.

2) Lending institutions should be required to notify the institution when they approve or disapprove a student's application for a loan. Two schools raised this issue, one commenting:

> " . . . the Federal Register . . . clearly states that educational institutions will be required . . . 'to notify lenders and the Office of Education when there has been a change in the borrower's enrollment status.' Nowhere is mention made of the lender notifying the institution when a loan has been made. This, incidentally, despite the fact that over two years ago the Office of Education informed us of plans involving a

two part green card designed for just that purpose. It appears that a joint responsibility for communication exists in this area."

3) Eligibility criteria should be adjusted upward. Three schools felt the present family adjusted income figure of $15,000 was too low particularly in these times of rapid inflation. Raising this figure to more accurately reflect present economic realities would again make this program available to a large segment of middle-income families presently excluded, yet still in need.

4) The application form should be revised and updated. "Surely it would be possible to eliminate the need for two forms, each requiring the signature of the student and the aid officer. (The questionable need for signature notarization is present here, also.)"

5) "Lenders should be required to make distributions in multiple installments rather than give the student his full loan at the beginning of the academic year. They would then be required to disburse them on a quarterly or semester basis as we are doing with our campus based programs."

6) Legislation should be enacted that would establish a minimum time factor in which these loans could be included in bankruptcy claims.

7) Lending institutions should not be permitted to set criteria for borrowers.

8) Enforcement of "educational purposes" criteria should be encouraged.

9) The needs analysis requirement should be reviewed.

> "The needs analysis requirement for this program has been greatly simplified this past year and for that we are indeed thankful. Still, there is considerable room for improvement. For example, the treatment of social security, veterans benefits and other resources in this program is completely unlike the treatment in all other programs. Therefore, if a student has both a GSL and a federally funded institutional based aid, some confusion exists concerning the treatment of these resources. Space does not permit a detailed discussion of the technicalities of this problem; however, it is apparent to me that this is an area that could benefit from some additional thought and clarification."

10) An increased business subsidy should be provided to banks to make participation in the GSL Program more attractive.

11) Modifications should be instituted to reduce the default rate. One school suggested the following three changes that, in their opinion, would make these loans less attractive but at the same time would significantly reduce the default rate:

a) have lower loan limits, both annual and cumulative,

b) have only partial deferment privileges requiring repayment from the date of the loan, but at a nominal rate as long as the borrower is still enrolled in a degree program;

c) have shorter maximum repayment periods.

Summary and Conclusions

General Comments

1. No one program or type of aid (e.g. grant vs. loan) was identified as being favored over any of the student aid programs.

2. All programs are necessary to provide a full range of aid--none of the programs should be eliminated.

3. The need for increased funding was expressed, especially as the proportionate amount available is reduced because of dollars remaining constant and the number of institutions increase.

4. The administration of the programs should be simplified by:

   a. simplification of the institutional application
   b. improving the needs analysis process
   c. simplification of the fiscal reporting procedures
   d. reduction of the "myriad of paperwork"
   e. standardization of application, report forms, etc., then using the same standard forms year after year.

5. Regulations should be changed to provide financial aid officers with the authority to transfer funds between all the college board programs.

6. The need for updated guidelines and manuals was expressed.

7. Necessary steps should be taken to broaden the group of students served by the program to include middle income family students.

National Direct Student Loan

1. The need for continuation of this program was stressed.

2. It was commonly felt that the low interest rates, long term payback, and relative ease of processing, made NDSL program more attractive than GSL program.

3. Complex and confusing cancellation and repayment provisions greatly added to the administrative complexity of this program.

4. Most respondents favored the elimination of all cancellation provisions.

5. The provision permitting a student to file bankruptcy on an NDS loan should be discontinued.

6. The administrative allowance should be increased to compensate the institution for the increased work load.

7. The funding level should be increased.

8. NDSL should be exempted from the provisions of "Truth in Lending" legislation.

9. Default provisions whereby delinquent loans of more than two years would be assumed by the Office of Education should be activated.

10. Institutions should be provided the authority to trace unknown addresses of borrowers through Social Security numbers.

Supplemental Educational Opportunity Grant Program

1. This program was generally considered easy to administer.

2. The program should be continued and the funding level increased.

3. Some expression was given to the suggestion that the distinction between initial and continuing year grants be eliminated.

4. A few two-year schools suggested that these colleges be allowed to submit requests for SEOG renewal funds at the beginning of the academic year.

5. Financial need criteria that determine eligibility should be redefined so as to clarify eligibility requirements.

6. Small schools cannot afford a full-time financial aid officer.

College Work Study Program

1. Most schools felt that this program was the most valuable and justifiable of all the federal aid programs.

2. A few schools found the administration of the program cumbersome.

3. Additional funds are needed for the program.

4. The administrative allowance should be increased.

5. The per hour limit on wages should be revised upward.

6. Regulations should be provided to permit carryover of funds.

7. Regulations regarding the collection and withholding of FICA taxes should be clarified.

8. Allocation of funds for the CWS program should be determined by ratio formula of fund allocation under the BEOG program for the previous academic year.

9. Guidelines should be changed to meet the needs of students on welfare.

10. Eligibility criteria should be altered to include middle income family students.

11. Several proprietary schools felt that eligible employment should include work in profit making organizations.

Basic Educational Opportunity Grant

1. The majority of respondents valued this program favorably.

2. Four respondents felt that the BEOG program assists primarily disadvantaged students, who, were, more often than average, also poor academically, resulting in an overall dilution of the quality of education.

3. Two respondents felt that grant programs were inferior to work-aid programs.

4. Four problem areas of administration were identified:

   a. program publicity--workshops for high school counselors were most valuable.

   b. lack of institutional control limits flexibility to meet individual student needs.

   c. funding is inadequate to meet intended goals.

   d. processing of application and awards procedures is unduly slow.

5. An allowance should be provided to defray the administration costs of implementing this program.

6. Current income should be used for students who are classified as independent students.

7. The eligibility index should be included in the periodic reports of applications processed.

8. The institution should be allowed to act as the agency for students once they are enrolled.

9. Treatment of non-liquid assets, particularly when they are utilized as the prime source of family income, should be reevaluated.

10. Net worth limitations should be evaluated and made more equitable for students from farms.

11. The most recent low income level statistics from the Bureau of Labor should be used instead of the low income threshold of Social Security statistics.

12. BEOG program should merge its needs analysis formula with other needs analyses required by other programs.

13. One application should be sufficient for all programs.

14. Allowances for board and room should be reviewed. The effect of the present $1100 allowance is such that it encourages colleges to increase their charges for board and room in order to equal the $1100 off-campus allowance.

15. Students in proprietary schools should not be required to carry a heavier load than students in non-profit academic institutions.

16. Payment schedules should be developed that will round off student awards to the nearest $50.

Guaranteed Student Loan Program

1. Opinions of the value of this program tended toward the negative side.

2. The reluctance of private lending institutions to participate in the program was expressed strongly.

3. An inordinate amount of time is required in processing loan applications.

4. Institutions should be provided an administrative allowance for functions performed in administering the GSL program.

5. Lending institutions should be required to notify the institution when they approve or disapprove a student's application for a loan.

6. Eligibility criteria should be adjusted upward.

7. The application form should be revised, simplified and updated.

8. Lenders should be required to make distributions in multiple installments.

9. Lending institutions should not be permitted to set criteria for borrowers.

10. Enforcement of "educational purposes" criteria should be encouraged.

11. An increased subsidy should be provided lenders to encourage their participation.

12. Procedures should be modified to reduce default notes:

    a. set lower loan limits

    b. establish partial deferment privileges requiring repayment from the date of the loan, but at a lower rate while student is enrolled,

    c. establish shorter maximum repayment periods.

The above summary includes the combined suggestions, comments, and recommendations of the respondents. A time lag between the date of responding and the date of reporting, provides for some variation in the consideration of the various responses included in the summary. The dynamic nature of the student aid programs makes for constant changes, hence many actions have been taken which have brought about corrective action. Other changes are being considered or are in the process of being made.

This report does not attempt to distinguish between those for which changes have already occurred and those for which action is still needed. The final combined summary report will take this into consideration as the recommendations and comments from this study are merged with another study--"An Analysis of Fiscal Operations Reports".

APPENDIX A

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
REGION VIII
FEDERAL OFFICE BUILDING
19TH AND STOUT STREETS
DENVER, COLORADO 80202

December 2, 1974

OFFICE OF EDUCATION

r.
President,

Dear

This letter is to solicit your views and perceptions of current HEW-funded student financial assistance programs. As a professional educator, currently serving as the focal point for all 10 HEW Regional Directors in the broad areas of education, I am particularly anxious to obtain your inputs as the President of an educational institution.

The Federally funded student assistance programs--Basic Opportunity Grants, Supplemental Educational Opportunity Grants, College Work-Study Program, National Direct Student Loans, and Guaranteed Student Loans--are continuously being assessed and appraised at the HEW level. Currently there are several National efforts to evaluate these programs but like many National efforts, the results will be 12 months or more behind current concerns. Subjectively, I believe that you as President are, and will continue to be, in a position to sense and observe strengths and weaknesses of current Federal efforts much earlier than other sources. It is because of this conviction that I solicit your views and opinions concerning Federally financed Student Assistance Programs as they currently are operating in the beginning of academic year 1974-75.

How effective are the Federally financed student assistance programs, in scope and amount? Which of these programs are most justifiable in cost and effort on the part of HEW?--On the part of educational institutions? Are there specific aspects of these programs that should be amended or changed to better accomplish the aim of aiding deserving students to obtain post-secondary opportunities? These are the type of questions that I am continuously raising with my Regional Staff. Currently,

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the Basic Opportunity Grant program is receiving much emphasis with the Department of HEW. A crucial aspect for the success of this program lies in the dissemination of information to potential recipients in their home communities. From your perspective, perhaps you can help me assess HEW's effectiveness in publicizing the Basic Opportunity Grant program.

My request for your views and perceptions of the efficacy of Federally funded student financial assistance programs is purposely open-ended so as to hopefully not in any way constrict your candid reply. Your responses will not be identified, either by individual or by institution. They will be used by me, as Lead Regional Director for Education, as a basis for participating in policy discussions concerning Federal student assistance programs with the Secretary of HEW and with officials of the Office of Education. For your convenience, a self-addressed franked envelope is enclosed. Your cooperation is not only deeply appreciated, your ideas and suggestions will hopefully provide valuable input at the National policy level.

Sincerely yours,

Rulon R. Garfield
Regional Director
Region VIII

Enclosure